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Classified By: POLCOUNS Brian R. Naranjo. Reasons: 1.4 (b), (c) and (d)

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Summary  
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1. (C) New polling data revealing a horse race in the governing Revolutionary Democratic Party (PRD) and a run-away lead by Panamenista presidential candidate Juan Carlos Varela in his party's race were the Panama Post's big scoop. Though available for the past couple of weeks, this new polling information is only now making its way into the public domain. PRD presidential candidate Balbina Herrera's political confidante National Assembly Deputy Hector Aleman was dismissive of these "momentary" polls when asked for his reaction on the morning drive-time radio talk-show circuit on May 27. The new polling data, which is being confirmed by additional polling to be reported SEPTEL, suggests that the political leaders who control powerful machines in the traditional parties -- the PRD's Juan Carlos Navarro and the Panamenista Party's Juan Carlos Varela -- are formidable opponents. In this week's edition, the Panama Post includes the following stories:

-- a new CID/Gallup poll indicates that there is a horse race in the PRD, Varela is pulling away in a decisive manner in the Panamenista party, but Democratic Change (CD) presidential candidate Ricardo Martinelli remains the preferred candidate in the broader opposition;  
-- Varela finally shares some of his internal polling that shows his commanding lead;  
-- Patriotic Union (UP) VP Jose Raul Mulino reacts to the new polling by saying that if Varela wins the Panamenista nomination that UP would enter into an alliance "the next day" with Martinelli; and  
-- Martinelli launches his race for the presidential palace.

End summary.

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New Poll Reveals Interesting Developments  
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2. (SBU) President Torrijos' negatives are way up, the gap between Revolutionary Democratic Party presidential candidates Balbina Herrera and Juan Carlos Navarro is closing, Panamenista Party presidential candidate Juan Carlos Varela is pulling away from Alberto Vallarino, and Democratic Change (CD) presidential candidate remains the preferred opposition candidate, CID-Gallup de Panama's May 5-11 poll revealed. A review of this poll's findings includes:

-- About twice as many respondents evaluated Torrijos' job performance as "bad" or "very bad" (36%) than evaluated his

performance as "good" or "very good" (19%). Some 45% assessed Torrijos performance as "regular." Torrijos' negatives outpaced his positives, and, since February, Torrijos' approval rating fell 23 points. Torrijos was marked down for: managing poorly the economy; not fulfilling his campaign's "zero corruption" pledge; being perceived as not acting in the public's interest; and for not governing in a "transparent manner."

-- Respondents had a grim outlook for the future. Only 24% said they perceived the economic futures for their families to be better. Some 74% had a negative or static outlook with 30% saying their economic future looked worse and 44% saying it looked the same. The cost of living was far and away Panama's principle problem. Four out of five voters said that they believed that Panama was headed in the wrong direction. Shockingly, one out of every six respondents reported having a family member who had been the victim of an assault or robbery over the past four months. Coupled with this grim outlook, there was significant voter apathy. While a majority of respondents indicated that they did not belong to any political party, majorities -- regardless of party affiliation, education or economic status -- did not voice any political opinion.

-- The gap between Herrera and Navarro appears to be closing. Herrera still leads Navarro by seven points on the question assessing PRD party member voter intent, but Navarro significantly closed the gap from February rising from 19 to 36 points while Herrera fell nine points. Navarro made a significant recovery from February to May, but still has ground to cover to pull even with Herrera.

-- Varela is pulling away from Vallarino. Varela leads Vallarino by either 24 or 34 points in the questions that assessed Panamenista party member voter intent. (Note: There is a discrepancy between the report's graphic that indicates that Varela, at 58%, leads Vallarino, at 24%, by 34 points, but the accompanying write-up only gives Varela a 24 point lead.) Regardless, Varela is opening up a significant lead over Vallarino.

-- While the Panamenista race appeared to be clarifying, Martinelli nonetheless remained the preferred opposition candidate in the question that assessed opposition voter intent. Martinelli recovered a bit rising from 22% in February to 25% in May and led over Varela by six points. Vallarino remained a distant third. Six times more opposition voters in May (31%) responded "none" than did in February (5%).

13. (C) (Editorial Note: State/INR provided post a copy of this poll. Given the important developments revealed in this poll, post believed it important to share more broadly its assessment of this report. Post is very grateful for INR's support. Thank you very much, INR.)

14. (C) Comment: The results of this poll track closely with elements of a recently conducted Dichter and Neira poll, snippets of which post has gleaned from various contacts. It appears that in the PRD, where it looked like Herrera might be pulling away from Navarro, instead there may be a horse race. Conversely, in the Panamenista Party, where it looked like there was a neck-in-neck horse race, that Varela may be pulling away from Vallarino and developing a dominating lead. Martinelli, however, sustains a small lead over Varela, may be closing with Herrera, but leads Navarro. In her May 13 breakfast with POLCOUNS, Herrera was exceedingly comfortable that Navarro was no longer a threat, and she spoke of getting organized for the general elections, planning a visit to Washington after she won the nomination, and taking time off between her presumed primary victory and the launch of her general election run to study English. Vallarino campaign advisor Jose Manuel Teran told POLCOUNS over breakfast on May 16, "The race (between Vallarino and Varela) is extremely close. Don't believe what Varela or Vallarino tell you about having a commanding lead; it's not true." If this poll is accurately reporting developing trends, then both Herrera and Vallarino may be in for a rude awakening. It may explain the

renewed vigor evident in Navarro's and Martinelli's campaigns. On May 16, Martinelli political advisor Jimmy Papadimitriou told POLCOUNS that Varela undermined the CD's alliance with MOLIRENA that was to be announced at Martinelli's May 18 campaign launch. It is possible that Varela's surge in the Panamenista internal race caused MOLIRENA President Sergio Gonzalez-Ruiz to reconsider his next steps.

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Varela Shares a Poll (Finally)  
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15. (C) Panamenista Party President and presidential nomination candidate "Juan Carlos Varela has the advantage in the Panamenista Party's primary elections and has increased his advantage over Alberto Vallarino since the December poll of this series," CID/Gallup reported in its March 2008 private poll for Varela. Varela provided POLCOUNS a copy of this internal campaign poll that he commissioned. Among this poll's key findings:

- "Support for Marco Ameglio is every day less; more of his followers are joining the ranks of Varela than of Vallarino," this poll asserted. From December to March, support for Varela grew from 36 to 55 percent, while support for Vallarino remained essentially steady falling only two points over the same period from 34 to 32 percent.
- Both Varela and Vallarino "are weaker in the Greater Panama City area than they are in the interior."
- The primary reason for Varela's advantage was that "he is perceived as being a much more honest person than Vallarino." A majority (55 percent) said Varela would be the best candidate to fight corruption.
- More women than men support Varela, whereas more men than women tend to support Vallarino and Ameglio.
- "It is important to note that among those people who declared themselves to be Panamenistas, only thirty-eight percent are enlisted in the party," the poll stated. "Another twenty percent say that they are thinking about enlisting in the party but have not done so. Half of these people would vote for Varela if they were enlisted."
- Eight out of 10 respondents indicated that they intended to vote for the Panamenista Party in the general elections. A total of 89 percent of those polled indicated that the country was headed in the wrong direction.

16. (SBU) Technical data: This poll, commissioned by Varela, was carried out from February 29 to March 4, 2008 by CID Gallup Panama. Only self-identified Panamenista Party members or sympathizers were included in this poll. All interviews were conducted in homes and face-to-face. (In another portion of the accompanying technical data, this poll states that some interviews were conducted via telephone.) Interviews were done in homes that were randomly selected and distributed according to demographic data. This poll included residents in greater Panama City, Chiriqui and Bocas del Toro provinces, and "central provinces." The poll did not include rural parts of Panama province, the city of Colon, Darien province or the San Blas islands. A total of 1,206 individuals were interviewed.

17. (C) Comment: The Panama Post has finally gotten its hands on an internal Panamenista poll. While the poll that Varela finally delivered is nearly two months old, it is the only snapshot of the internal party dynamics that the Panama Post has seen to date. Varela, with his "Clean Hands" slogan, has strived to make honesty a core theme of his campaign. Additionally, he has been placing significant emphasis on signing up new party members. If this poll is accurate, both strategies should pay dividends for Varela. Vallarino has been competing with Varela to enlist more party members, a counterproductive strategy for Vallarino if this poll's indicators are correct. Traditionally, the Panamenista Party has been stronger in rural Panama, not in urban areas, hence the emphasis of both candidates in the primary at looking for support outside of Panama City. The May CID/Gallup reported in paras 2-4 would seem to suggest that Varela is indeed

building momentum inside the Panamenista party and pulling away rapidly from Vallarino.

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If Varela Wins, UP Will Join with Martinelli  
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¶8. (C) "If Varela wins the Panamenista presidential nomination, then the next day Patriotic Union (UP) will form an alliance with Martinelli," UP VP Jose Raul Mulino told POLCOUNS after discussing the latest polling data. Mulino, who said that prior to his conversation with POLCOUNS he was not aware of the results of the latest Dichter and Neira and CID/Gallup polls, was not surprised that Herrera had slipped, was mildly surprised that Navarro had made up so much ground, and was very surprised that Varela was pulling away so strongly from Vallarino. Mulino reiterated that he led the UP faction that supported an alliance with Vallarino, but added, "Vallarino is the best prepared to take on Balbina, the best prepared to be president. Varela though is too immature and ill-prepared for a tough fight with Balbina and lacks presidential stature." Asserting that Balbina was dangerous, Mulino explained that ultimately he would have to support the strongest candidate against Balbina. "If the opposition choices are between Varela and Martinelli, then I'll go with Martinelli."

¶9. (C) Mulino wants the opposition to win very badly and strongly believes that Balbina was a significant threat. "This lady shot at me in San Miguelito. I had to hide under a bridge. People have not forgotten how radical and dangerous she is." Nonetheless, Herrera would be the ideal PRD candidate for the opposition to confront: "We can remind people of her past and draw simple, stark contrasts with her."

¶10. (C) Bio note: Mulino is not in good health. He said that he was still recovering from the back surgery he had about three months ago and that he had had to be re-admitted to intensive care when he developed a dangerous thrombosis. Complaining that he had to take seven pills every night and still suffered significant back pain, Mulino said he was only now able to begin mild exercise, for example, walking for thirty minutes. Mulino said he was at high risk for "arterial blockages" and therefore was taking potent blood thinners, thinners that made it difficult to address any minor bleeding such as bleeding associated with dental check-ups, blood tests, or minor cuts. "I'm trying to reduce the stress in my life. If I get stressed, I simply stop doing what ever stresses me. I try to live in the here and now and to enjoy life more." Mulino added that he did not have any aspirations to seek an elected office and did not seek any ministerial or other high-level government positions.

¶11. (C) Comment: POLCOUNS was struck by how quickly this Vallarino supporter was prepared to shift to backing Martinelli should Varela win the Panamenista presidential nomination. Reportedly, Mulino wrote an early draft of Vallarino's campaign launch speech. Mulino was very conscious of the fact that what UP does -- that is who it backs -- in the May 2009 elections would probably be the most thing for the next 25 years of this new party. If UP and MOLIRENA ally themselves with CD, the Panamenista Party -- a party that lays claim to the top of any opposition ticket -- would be isolated in the opposition and be stripped of traditional allies.

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Surprise, Surprise: Martinelli is Going to Run  
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¶12. (SBU) To nobody's surprise, CD Party President Ricardo Martinelli threw his hat into the ring to run for president at a campaign launch event on May 18. Promising greater access to opportunity for all Panamanians -- not just PRD members or Panamenista party members or the wealthy -- Martinelli took advantage of this campaign launch to re-introduce himself and to develop some basic message for his campaign:

-- Panama is at a historic moment and must take advantage of this opportunity that may never return. -- Noting that Panama was experiencing phenomenal economic growth, Martinelli acknowledged that many Panamanians felt that these newfound riches were not reaching them. "They are not reaching the PRD bases. They are not reaching the bases of the opposition parties. They are not reaching independent Panamanians. The riches are staying in the pockets of those who govern. "My candidacy and that of Democratic Change is more than a political proposal. It is a movement that aims to break with the continuity of this phenomenon and to change this country." The riches of Panama needed to be shared with all Panamanians regardless of political affiliation or social status. "We need to act now because this golden opportunity may be the only opportunity that Panama will get."

-- Panama needs to avoid populist answers. -- "One does not need to look far to see that danger that approaches. It is sufficient to observe what has happened in our brother country, Venezuela." Drawing a direct parallel, Martinelli said that Venezuela some ten years ago also had the kind of golden opportunity enjoyed by Panama today, "but instead of electing somebody who understood the economy, they elected a man named Hugo Chavez." Today, Venezuela was perched on the edge of "an economic abyss." "I am not going to let that happen to Panama."

-- It is time to look to new political alternatives (read: Martinelli). -- For the 32 years that the PRD had been in power, Martinelli asserted, the PRD had not solved Panama's problems: 40 percent of Panamanians continued to be poor, the riches did not reach those who need them, insecurity had increased, prices had increased, the cost of living had risen, and corruption continued. "The leadership of the PRD represents continuity and with continuity there cannot be change." Shifting and broadening his attacks, Martinelli then took on "traditional governments that have led Panama for the past 40 years." "What have they done over the past 40 years to eliminate poverty," he asked. "We need somebody different who will fight for all Panamanians so that opportunities reach those most in need, so that all Panamanians benefit from progress without regard for their political affiliation."

-- "I've created jobs." -- Unlike his political challengers, Martinelli said that he had created jobs his entire life. He explained that every since he was young he had worked hard and worked long hours, starting when he was very young polishing shoes and selling newspapers. He said he joined the hardware store 99 -- what would become Super99, his supermarket chain -- when it was nearly bankrupt. Through hard work his business grew until all was lost in looting in December 1989 in the wake of the U.S. invasion. Not giving up, Martinelli said he rebuilt his businesses into the successes that that were today.

¶13. (C) Comment: In his drive for Panama's presidency, Martinelli has laid out a basic message: don't lose this opportunity; avoid populist adventurism (read: Herrera); look to new political alternatives; I'll spread opportunity; I have the experience to bring that opportunity to you. Though his campaign put on a very professional event, Martinelli's own performance fell short. He plowed through his speech, not allowing his 4,000-person strong crowd to join in by failing to pause for his applause lines, for example. Clad only in a campaign golf shirt and jeans, Martinelli sought to portray an every-man image. Popular reggaeton musician DJ Black and jazz musician Roberto Blades (brother of jazz musician and Torrijos' Minister of Tourism Ruben Blades), warmed up crowd with live music, including several songs prepared for the campaign. On May 16, Martinelli political advisor Jimmy Papadimitriu told POLCOUNS that Martinelli had hoped to announce an alliance with MOLIRENA, an alliance that was derailed by Varela. Some MOLIRENA leaders (e.g., Wigberto Quintero) were on hand. According to Papadimitriu, Varela threatened Martinelli that he would go negative on Martinelli if Martinelli "prematurely" announced an alliance.

Martinelli warned Varela that if Varela went negative, Martinelli would take off the gloves and go after Varela and would not spare any money in the effort. While he is positioning himself as the new alternative, Martinelli will need to come to terms with the relationship he has cultivated with Varela deciding whether to try to co-opt or compete against Varela as well as the PRD.

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